

DCMC-O

October 16, 1998

MEMORANDUM FOR COMMANDER, DCMC LOCKHEED MARTIN AEROSPACE
DELAWARE VALLEY

SUBJECT: Single Process Initiative (SPI) Proposal to Use Standard Procurement
Cancellation Practices in Lieu of Federal Acquisition Regulation (FAR)
Part 49 Termination for Convenience Procedures

This memorandum responds to Lockheed Martin's SPI proposal requesting that FAR Part 49 be revised to include the following sentences: "When a Purchase Order does not exceed \$500K, the Contractor may use standard procurement cancellation practices in lieu of the formal Termination for Convenience procedures as outlined in FAR Part 49. In addition, the Contractor will not be penalized for failure to impose formal Termination for Convenience clauses on subcontractors, and the requirement for auditable settlement between the contractor and the subcontractor will be waived." The summary at attachment 1 provides further information that was extracted from the SPI database.

Based on information furnished by our representative to the Defense Acquisition Regulations Council, we have determined that the current FAR provisions provide sufficient latitude to accomplish the desired objective. In its proposal, Lockheed Martin is referring to subcontracts it places that do not exceed \$500,000 when it has a prime contract of any value over \$100,000. Lockheed Martin has not asked for a change to the standard Termination for Convenience clauses or to their prescription.

FAR 49.108-4(a)(1) states: "The TCO may, upon written request, give written authorization to the prime contractor to conclude settlements of subcontracts terminated in whole or in part without approval or ratification when the amount of settlement (see 49.002(d)) is \$100,000 or less if" FAR 49.108-4(e) provides that the Termination Contracting Officer (TCO) may increase an authorization under FAR 49.108-4(a)(1) to authorize the contractor to conclude settlements under a particular prime contract. It further provides that the TCO may limit the increased authorization to specific contracts or classes of contracts. Since this authority already exists for the TCO to grant Lockheed Martin authorization to apply "standard procurement cancellation practices" to subcontracts in excess of \$100,000 when appropriate (i.e., when the conditions of FAR 49.108-4(a)(1)(i) through (iii) exist), we recommend that the Lockheed Martin proposal be accepted under the current FAR 49.108-4(e) authority and be applied when risk mitigating factors are present.

Thank you for your efforts in submitting this proposal. If you have any questions regarding this matter, please contact Mr. Don Reiter, SPI Team (DCMDI-RS), at (703) 767-3407 or DSN 427-3407, Fax (703) 767-7305 or DSN 427-7305, or via the internet: donald_reiter@hq.dla.mil.

JILL E. PETTIBONE
Executive Director
Contract Management Operations

Attachment

SPI Processes – Standard Termination for Convenience Clauses

Lockheed Martin Delaware Valley, Moorestown, NJ, submitted May 30, 1996
(PID 477)

Military Requirements: FAR 52.249-1, FAR 52.249-2, and FAR 52.212-4(1)

Proposed Process: Replace Standard T/C clauses with Commercial T/C clauses.